

Message Text

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12

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 AEC-11 CEA-02 DODE-00

FEA-02 FPC-01 H-03 INT-08 L-03 NSC-10 PM-07 SAM-01

SCI-06 SS-20 STR-08 PA-04 PRS-01 USIA-15 DRC-01 /200 W

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R 011918Z MAR 74

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 2393

LIMITED OFFICIAL USE LA PAZ 1277

E.O. 11652: N/A

TAGS: BDIS, EFIN, BL

SUBJ: YPFB: RESCHEDULING OF GULF SETTLEMENT AND IMPLICATIONS
FOR BUDGET AND BALANCE OF PAYMENTS

REF: STATE 34718

1. EMBASSY IN COMPLETE ACCORD WITH VIEW EXPRESSED REFTEL THAT
USG SHOULD NOT BECOME INVOLVED IN GULF-YPFB RESCHEDULING
NEGOTIATIONS. WE UNDERSTAND FOREIGN OIL COMPANIES THAT HAVE
SIGNED EXPLORATION-EXPLOITATION CONTRACTS WITH YPFB ARE FOLLOWING
CLOSELY AND WITH GREAT INTEREST YPFB TREATMENT OF GULF,
INCLUDING RESCHEDULING NEGOTIATION.

2. AS IMF TEAM VISIT TO LA PAZ HAS BEEN POSTPONED, SUGGEST ARA
OFFICERS MAY WISH DISCUSS WITH TEAM MEMBERS BEFORE THEY DEPART
WASHINGTON QUESTION OF GOB USE OF INCREASE YPFB INCOME TO OFFSET
BUDGET DEFICIT. PRELIMINARY CHECK OF GOB 1974 BUDGET DOES NOT
INDICATE ANY TAX CREDIT, OR TRANSFER ALTHOUGH LATTER MAY WELL
BE HIDDEN IN BUDGET DETAIL NOT YET AVAILABLE TO US OR MAY REMAIN
AS DECISION TO BE TAKEN. AS FORTHCOMING BUDGET AIRGRAM WILL SET
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OUT IN SOME DETAIL, OUTLOOK IS FOR AN UNFINANCED TREASURY DEFICIT
(INCLUDING INVESTMENT EXPENDITURES), AFTER TAKING INTO ACCOUNT

CREDITO AUTOMATICO AND CURRENTLY AVAILABLE EXTERNAL ASSISTANCE, AND
USE OF TREASURY BALANCES OF AROUND \$B 600 MILLION. OFFICIAL GOB
BUDGET SHOWS UNFINANCED DEFICIT OF ONLY \$B 230 MILLION.

3. WORTH NOTING THAT GOB HAS HAD GREAT DIFFICULTY IN FORCING YPFB TO
PAY EXISTING TAXES IN RECENT PAST. PERHAPS FORMER MINENERGY
CAPRILLES' NEW JOB AS MINISTER COORDINATOR WILL CHANGE PICTURE.

4. ON BASIS FIGURES RECEIVED FROM YPFB WE ESTIMATE PAYMENT TO GULF
IN 1974 WILL BE ABOUT US\$ 26.4 MILLION AT US\$ 12.10 PER BARREL AND
US\$ 32.3 MILLION AT US\$ 15.50 PER BARREL. (WE CALCULATE BASE OF
7 MILLION BARRELS OF OIL AND US\$ 21 MILLION GAS EARNINGS AGAINST
WHICH WE APPLY 25 PERCENT FOR GULF. GAS PRICES ASSUMED INVARIABLE
AS SOLD UNDER LONG-TERM CONTRACT TO ARGENTINA). EVEN IF CRUDE
OIL PRICE ONLY US\$ 9 PER BARREL INDEMNITY PAYMENT IN 1974
WOULD BE ABOUT US\$ 21 MILLION. SUCH RATES OF PAYMENT INDICATE
FULL INDEMNITY WOULD BE PAID IN 2.7, 2.2 OR 3.4 YEARS,
RESPECTIVELY. THESE CALCULATIONS DO NOT AGREE WITH ESTIMATE
CONTAINED IN PARA 2 REFTEL OF SOME 8 TO 10 YEARS TO PAY OFF
REMAINDER OF INDEMNITY. GULF REPRESENTATIVE LA PAZ OUT OF TOWN
SO WE CANNOT EXPLAIN DIFFERENCE AT PRESENT TIME. HE MAY
NOT BE ABLE EXPLAIN IN ANY CASE AS CALCULATIONS DONE AT GULF
HEADQUARTERS. DEPARTMENT MAY WISH PURSUE THIS QUESTION AS
IMPLICATIONS FOR BUDGET AND BALANCE OF PAYMENTS VERY GREAT.
NOTE THAT ON BASIS IBRD REPRESENTATIVE'S STATEMENT WE PUT ONLY
US\$ 14 MILLION FOR 1974 GULF INDEMNITY PAYMENT IN OUR BALANCE
OF PAYMENTS ESTIMATE (SENT LA PAZ A-023). EVEN THIS FIGURE
WOULD MEAN INDEMNITY PAY OFF WITHIN NEARLY 5 YEARS. IT IS WORTH
POINTING OUT THAT IF OUR CALCULATIONS ARE CORRECT AND US\$ 15.50
PER BARREL PRICE IS ASSUMED, OUR BEST ESTIMATE BALANCE OF PAYMENTS
SURPLUS WOULD FALL FROM US\$ 11.4 MILLION SURPLUS TO US\$ 6.9
MILLION DEFICIT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BALANCE OF PAYMENTS, NEGOTIATIONS, BUDGET DEFICITS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LAPAZ01277
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740375/aaaacrwy.tel
Line Count: 94
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 34718
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 SEP 2002 by boyleja>; APPROVED <10-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YPFB: RESCHEDULING OF GULF SETTLEMENT AND IMPLICATIONS FOR BUDGET AND BALANCE OF PAYMENTS
TAGS: BDIS, EFIN, BL, US, IMF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005